

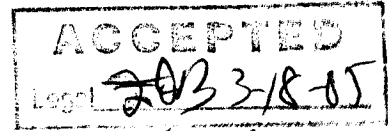
C. DUKES SCOTT
EXECUTIVE DIRECTOR

P.O. Box 11263
Columbia, S.C. 29211



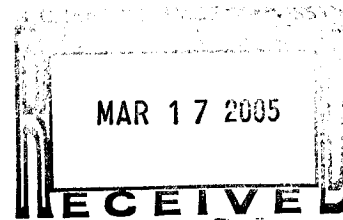
Phone: (803) 737-0800
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DAN E. ARNETT
CHIEF OF STAFF



March 17, 2005

VIA HAND DELIVERY



Mr. Charles L.A. Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Center Dr., Suite 100
Columbia, SC 29210

Re: Application of Development Service, Inc. for Approval of New Schedule
of Rates and Charges for Sewerage Service Provided to Residential and
Commercial Customers in all Areas Served
PSC Docket No.: 2004-212-S

Dear Charles:

Enclosed for filing please find thirteen (13) copies of the Office of Regulatory Staff's Reply to Development Service Inc.'s Petition for Rehearing and/or Reconsideration. Please date stamp the extra copy enclosed and return it to me via our delivery person.

Please let me know if you have any questions.

Sincerely,

Shannon Bowyer Hudson

Shannon Bowyer Hudson

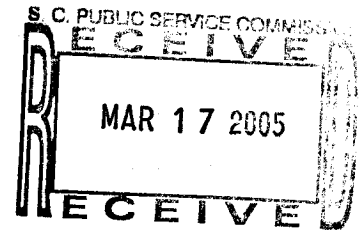
SBH/cc

Enclosures

cc: Charles Cook, Esq. (w/encl)

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

DOCKET NO. 2004-212-S



IN RE: Application of DEVELOPMENT)
SERVICE, INC. for Approval of)
New Schedule of Rates and Charges)
For Sewage Service Provided to)
Residential and Commercial)
Customers in all areas Served.)

CERTIFICATE OF SERVICE

This is to certify that I, Cindy Clary, an employee with the Office of Regulatory Staff, have this date served one (1) copy of the **OFFICE OF REGULATORY STAFF'S REPLY TO DEVELOPMENT SERVICE INC.'S PETITION FOR REHEARING AND/OR RECONSIDERATION** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

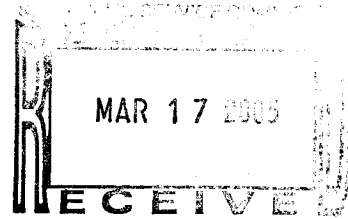
Charles H. Cook, Esquire
Elliott & Elliott, P.A.
721 Olive Street
Columbia, South Carolina 29205


Cindy Clary

March 17, 2005
Columbia, South Carolina

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

DOCKET NO. 2004-212-S



IN RE: Application of DEVELOPMENT)
SERVICE, INC. for Approval of)
New Schedule of Rates and Charges)
For Sewage Service Provided to)
Residential and Commercial)
Customers in all areas Served.)

REPLY TO
DEVELOPMENT SERVICE, INC.'S
PETITION FOR REHEARING AND/OR
FOR RECONSIDERATION

The Office of Regulatory Staff (“ORS”) respectfully submits this Reply to Development Service, Inc.’s (“DSI’s”) Petition for Rehearing and/or for Reconsideration wherein DSI requested that the Commission reconsider its Order No. 2005-42 (the “Order”), issued on February 2, 2005. In that Petition, DSI requested that the Commission grant DSI recognition of \$27,120 in contract service revenues and the increase in tap fees as requested in the Application. In support of this Reply to DSI’s Petition, ORS states as follows:

I. Contract Service Revenues (Rental of Equipment)

DSI stated the Commission’s Order “fails to recognize the *contract* service revenue adjustment of \$27,120 by virtue of the receivable due to DSI from Midlands Utility, Inc. (“Midlands”) for the use of DSI’s equipment.” (Emphasis added.) [DSI Petition, P. 1.] DSI amended its application to include an additional \$27,120 in revenue – revenue DSI labeled as “Other Revenue (contract service).” DSI also notes in its Petition that the amount of \$27,120 is a receivable pursuant to a contract. No proof of a contract was submitted during either the hearing’s discovery process or during the hearing. In addition, no other evidence was presented

showing that DSI was obtaining \$27,120 from Midlands for use of equipment. Further, ORS found no justification for the revenue during its audit of DSI. Accordingly, the Order correctly notes that ORS found no justification for DSI's amendment to its revenues and did not allow the \$27,120 adjustment. [Scott Prefiled Testimony, P. 5, ll. 3-10; Hearing Exhibit No. 4, Audit Exhibit A-1.] DSI did not submit proper justification for the Commission to recognize the \$27,120.

II. Tap Fees

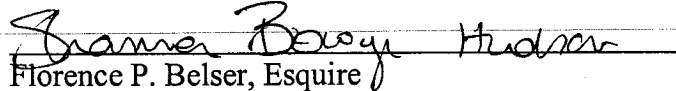
DSI submits that the Commission "erred in denying the tap fee increase requested and . . . request[s] that the Commission reconsider its denial of the requested increase in tap fees." [DSI Petition, p. 5.] Contrary to DSI's assertion, sufficient evidence to justify an increase in tap fees was neither provided in DSI's responses to ORS data requests nor in DSI's testimony. In DSI's response to Data Request 1.6, DSI stated it is not aware of any anticipated projects within the next five years requiring taps. [Hearing Exhibit 6, Response to First Set of Data Request 1.6(e).] Further, it indicated tap costs were included in officer salaries.¹ [Id at 1.6(f) and (h).] Specifically, DSI stated, "The company does not have a separate expense category for tap fee expenses. *Most of these costs are associated with the officer salary. Little material cost is associated with the tap.*" (Emphasis added.) [Id.] DSI did not provide cost justification for the proposed increase in tap fees as required by 26 S.C. Code Regs. 103-512.4.A.9 and 103-502.11. [Order P. 27; Hipp Prefiled Testimony, P. 3, ll. 14-16.]

¹ As stated in the Order, "Normally, tap fees are booked as Contributions in Aid of Construction ("CIAC") and included as a deduction from rate base." [Order, P. 28.]

III. Conclusion

WHEREFORE, having fully set forth its grounds for this Reply, ORS respectfully requests that the Commission neither consider allowing a contract service revenue adjustment of \$27,120 nor allow an increase in DSI's tap fees.

March 17, 2005


Florence P. Belser, Esquire
Shannon Bowyer Hudson, Esquire
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